

LAND APPRAISAL PRACTICES
(Department of the Interior, Bureau of Land
Management)

FIFTEENTH REPORT
BY THE
COMMITTEE ON GOVERNMENT
OPERATIONS



MAY 21, 1962.—Committed to the Committee of the Whole House on
the State of the Union and ordered to be printed

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, D.C., May 21, 1961.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: By direction of the Committee on Government Operations, I submit herewith the committee's fifteenth report to the 87th Congress. The committee's report is based on a study made by its Special Assigned Power and Land Problems Subcommittee.

WILLIAM L. DAWSON, *Chairman.*

LETTERS OF TRANSMITTAL

House of Representatives
Washington, D.C., May 21, 1961

Dear Mr. Speaker:

I have the honor to acknowledge the receipt of your letter of May 16, 1961, regarding the proposed legislation to amend the Federal Food, Drug, and Cosmetic Act, H.R. 10100, to require the submission of a report to the Committee on Labor and Human Resources, U.S. Senate, by the Secretary of Health, Education, and Welfare, and the Secretary of the Department of Agriculture, regarding the results of the study made by the Federal Food and Drug Administration.

Very truly yours,
William H. Dawson, Counselor

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2d Session }

HOUSE OF REPRESENTATIVES

{ REPORT
No. 1717

LAND APPRAISAL PRACTICES

(DEPARTMENT OF THE INTERIOR, BUREAU OF LAND
MANAGEMENT)

MAY 21, 1962.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. DAWSON, from the Committee on Government Operations,
submitted the following

FIFTEENTH REPORT

BASED ON A STUDY BY THE SPECIAL ASSIGNED POWER AND
LAND PROBLEMS SUBCOMMITTEE

On May 16, 1962, the Committee on Government Operations
had before it for consideration a report entitled "Land Appraisal
Practices."

Upon motion made and seconded, the report was approved and
adopted as the report of the full committee. The chairman was
directed to transmit a copy to the Speaker of the House.

I. INTRODUCTION

Late in 1959 the Special Subcommittee on Assigned Power and
Land Problems undertook an extensive study of the land appraisal
practices of the Bureau of Land Management, Department of the
Interior. Hearings were held in 1960, and the first findings disclosed
by this study, when communicated to the Department, immediately
set in motion major changes in policies and procedures. Because of
the seriousness of the disclosures developed by hearings and the in-
vestigation, an interim report was published on June 24, 1960 (H.
Rept. No. 1980, 86th Cong.).

Since issuance of the interim report the subcommittee has continued
its study of land appraisal practices, including questionable land ex-
changes and inadequacies in procedures. In addition, the General
Accounting Office has issued a report on the subject, "Review of
Selected Activities Relating to Lease and Disposal of Lands and Min-

eral Resources, Bureau of Land Management, Department of the Interior." (B-114815, Oct. 31, 1961).

Developments since the interim report, including a change in administration and intensification of efforts to improve land appraisal practices, are presented in this report in order to complete the discussion initiated in the interim report. In view of excellent corrective steps taken by the Bureau of Land Management, the report contains no recommendations for further action.

II. BACKGROUND AND SCOPE OF STUDY

The Department of the Interior describes itself as "the largest custodian of land in the free world, having jurisdiction over nearly 550 million acres." Management of this vast estate involves sales, purchases, leases, exchanges, grants, easements, permits, and other actions. The public interest requires that accurate and impartial appraisals be obtained for lands to be purchased, sold, or exchanged, so that private profit or speculation shall not be encouraged. Each year an estimated 20,000 appraisals are made of more than \$100 million worth of real property ("Appraisal of Real Property," Handbook Supplement to Departmental Manual Part 602, 1961).

From time to time complaints had been filed about irregularities or inconsistencies in the Bureau of Land Management's appraisal practices, especially in the area of land exchanges. Under such exchange transactions, public land is traded for privately owned land that equals or exceeds in value the public holding. Appraisals in such proposals assume a most significant role if valuable public land is not to be given away in exchange for less valuable private land. Because of specific complaints about the propriety of certain land exchanges, Congressman William L. Dawson, chairman of the House Government Operations Committee, directed the subcommittee to undertake a comprehensive review of appraisal practices and procedures followed by the Bureau of Land Management.

A. INVESTIGATION BY SUBCOMMITTEE

Preliminary studies began late in 1959, and the early findings were so significant that the Bureau was immediately asked to suspend final actions on land leases or title transfers pending further study. Such an order was issued on December 10, 1959, by Edward Woosley, then Director of the Bureau. The subcommittee continued its work and on January 21-23, 1960, held hearings in Phoenix, Ariz., at which it was conclusively established that the Department of the Interior had grossly undervalued public land involved in three private exchange transactions in the State of Arizona (H. Rept. 1980, 86th Cong., p. 3).

Less than 2 weeks after the hearing, and apparently as a direct result of them, the Secretary of the Interior issued a press release on February 5, 1960, announcing a five-point "BLM antiland speculation policy" (*ibid.*, p. 4). Shortly thereafter the Secretary lifted the moratorium on land leases and transfers and announced further safeguards against land speculation. The Secretary also promised to inform the subcommittee before approving any public sales involving tracts of one section or more located near expanding centers of population where no competitive bids above the appraised value had been received (*ibid.*, pp. 12-13).

During 1960 several steps were taken to convert appraisal operations to a well-trained professional service. Several weeks after the subcommittee hearing the Bureau of Land Management established

a reviewing appraiser for each State office, and included among his functions the review of each appraisal for technical adequacy (exhibit A-1, p. 15). Later in the year the appraisal training program was expanded to intensify all aspects, ranging from within-service training of new employees to the sending of key appraisers to outside facilities for professional instruction (exhibit A-2, p. 19). During the balance of the year numerous instructions and memorandums were issued stressing the various elements of value that should be considered in preparing appraisals of public lands (exhibit A, pp. 15-31).

B. ACTION TAKEN BY NEW ADMINISTRATION

The new administration moved vigorously to improve further appraisal practices and to develop a professional appraisal service. Shortly after taking office Secretary of Interior Stewart Udall declared an 18-month moratorium on most types of applications for nonmineral public lands. At the same time the Secretary announced land conservation policies that broadened and superseded the anti-speculation policies issued a year earlier (exhibit B, p. 32).

The purpose of the moratorium was twofold. First, a backlog of nearly 60,000 nonmineral filings had accumulated during the previous administration. This meant that undue delays faced the citizen who wished to purchase public land or exchange his private property for similarly valued public land. It also increased the pressure on Bureau personnel to make appraisals and other judgments hastily, without proper examination of relative values. Existence of a large backlog indicated that successful procedures had not been developed to deal with the transactions which the Bureau of Land Management must normally expect to handle. The moratorium, of course, was only a stopgap measure designed to give the Bureau time to come up with a permanent system of keeping current.

The second purpose of the moratorium was to provide time for a recasting of the entire land appraisal procedure and to apply these techniques to existing applications, and also to develop administrative methods of handling the workflow so that disposition of public land could be handled on a current or near-current basis when the moratorium was lifted.

Reduction of the backlog has been accomplished. During the first year of the moratorium approximately 46 percent of the backlog was eliminated. Bureau officials expect that expiration of the moratorium (the end of fiscal 1962) will find the backlog down to a normal "pipeline" status, between 15,000 and 18,000 cases (exhibit D, p. 36).

In addition, major effort has been devoted to developing a professional appraisal staff. The training program outlined in mid-1960 (exhibit A-2, p. 19) was expanded so that 110 out of approximately 150 key appraisers have attended appraisal schools conducted by the American Institute of Real Estate Appraisers, the American Society of Farm Managers and Rural Appraisers, and the Society of Residential Appraisers. All remaining appraisers eligible for outside training will attend schools during 1962. Further improvements are provided for in a budget increase of \$50,000 for fiscal 1963 designed to upgrade the professional competency of the appraisal staff.

C. CODIFICATION OF APPRAISAL PRACTICES

Restudy of all land appraisal procedures—inaugurated as the subcommittee initiated its investigation and intensified under the new administration—culminated in November 1961 with issuance of a new handbook supplement on "Appraisal of Real Property." This publication, which was sent to all State directors for dissemination to key appraisal personnel, was the first of its kind to be issued by the Department of the Interior. It outlines policies, standards, and basic procedures to be followed by all personnel engaged in the management of public lands. From time to time attention has been called to specific provisions of the new handbook, including the requirement for more complete comparisons of land values than are generally called for in private industry (exhibit C, p. 33).

More efficient methods of handling applications for land transactions have also been developed during the moratorium. A uniform system for maintenance and control of case records was put into effect in each land office. The system is designed to assure that each application receives prompt attention in order of receipt or priority.

On October 31, 1961, the Comptroller General of the United States transmitted to Congress a "Review of Selected Activities Relating to Lease and Disposal of Lands and Mineral Resources, Bureau of Land Management, Department of the Interior (B-114815)." In his report the Comptroller General raised questions about a number of practices that had been under study by the subcommittee, and about several additional matters. He specifically noted the inadequacy of documentation and review of appraisals for land exchanges and sales, and the accumulated backlog of applications for land sales or exchanges.

Commenting on the Comptroller General's findings, the Department of the Interior presented to the Committee on Government Operations a partial review of the changes accomplished during 1960 and 1961 aimed at improving operations of the Bureau of Land Management. Later, in answer to subcommittee inquiries, the Department prepared a complete report on the several areas that had been the subject of subcommittee inquiry during the past 2 years (exhibit D, p. 34).

III. SUMMARY AND CONCLUSIONS

Based on the hearings held by the subcommittee in Phoenix, Ariz., on the Comptroller General's report insofar as it deals with subjects concurrently studied by the subcommittee and on the subcommittee's investigation the following conclusions are apparent:

A. CORRECTION OF DEFECTIVE LAND APPRAISAL PROCEDURES

The Department of the Interior was warned as early as 1955 that major administrative and procedural revisions were needed in the system for disposal of public lands. On May 19, 1955, the General Accounting Office made a number of findings and recommendations in an audit report to the Congress on the Bureau of Land Management for fiscal year 1954 (B-114815).

Perhaps in response to the Comptroller General's report, the Department of the Interior set up its own Committee on Land Appraisal Practices which issued a report on the subject the following year. From the time that the report was circulated among the various bureaus of the Department, interest has been shown in the strengthening of the entire land appraisal system, both through training of personnel and delineation of factors to be considered in making appraisals.

Subsequently the subcommittee's hearings and later investigations provided the necessary stimulus for a sharp increase in the attention paid to defects in the appraisal system. This is confirmed in "Lands Review Statement No. 2" issued by the Bureau of Land Management on August 20, 1960, which reads in part:

Up until last year most of the Bureau's land appraisers * * * were not preparing reports which (could) * * * convince the reader of the soundness of the final estimate. In short, the reports, by and large, were little more than the conclusions reached by the appraiser.

As a result of this, the Bureau has come under fire from various sources such as the General Accounting Office and the Special Subcommittee on Assigned Power and Land Problems of the House of Representatives. We are not out of the woods on these yet * * * (exhibit A-6, p. 28).

The subcommittee's interim report declared:

* * * appraisals were being made without regard to predominant factors affecting land values in the area, and * * * unrealistic evaluations resulting from such appraisals had opened the door to unconscionable profiteering in public land (H. Rept. No. 1980, 86th Cong., p. 1).

In the same report, however, it was noted that the Department was inaugurating measures designed to cope with the problem:

* * * it is gratifying that the Department of the Interior has so promptly recognized the seriousness of the subcom-

mittee's disclosures, and that it is taking action designed to safeguard the public interest against repetition of such incidents in future transactions (*ibid.*, p. 5).

Analysis of the measures taken by the Department shows the validity of the Comptroller General's statement that "This action should lead to more adequate appraisal reports and should facilitate necessary administrative reviews" (B-114815, p. 28).

In an attempt to give professional standards to land appraisal work, the Bureau of Land Management has now codified for the first time the policies, standards, and basic procedures for Bureau of Land Management appraisers. A careful training program also has been instituted for Bureau appraisers (exhibit D, p. 38).

Years of administrative foot dragging prevented correction of the Bureau of Land Management's appraisal methods—methods which were inadequate by the Bureau's own admission—and the first reluctant steps toward improvement were taken only after the situation was disclosed by congressional investigation. With the adoption of clear policies to be carried out by trained appraisers, the Bureau of Land Management now is moving toward professional practices which will protect the public's interest in public lands.

B. IMPROVEMENT IN HANDLING OF APPLICATIONS FOR PURCHASE OR EXCHANGE OF LAND

Statistics gathered by the subcommittee and the General Accounting Office indicate the ever-growing backlog of cases that at one time threatened to swamp the Bureau of Land Management. At the end of fiscal 1958 there were 98,649 unclosed cases for the lease and disposal of lands and mineral resources. That number grew to 103,771 at the end of fiscal 1959, and increased to 105,246 at the end of fiscal 1960. A 2-month moratorium declared during fiscal 1960 helped slow the trend somewhat, but it became apparent early in 1961 that stronger action would have to be taken. Secretary Udall's 18-month moratorium on nonmineral applications has, in the first year, permitted disposition of 46 percent of the backlog of nonmineral applications, with a reduction to normal levels expected by the expiration of the moratorium at the end of fiscal 1962.

The effects of the huge backlog which existed before the moratorium are far reaching. As the General Accounting Office report stated:

The Bureau's large backlog of unclosed cases causes loss or deferment of revenue to the Government, public dissatisfaction, and workload problems (B-114815, p. 5).

Delayed processing also may result in use of outdated appraisal reports, and consequent disposal of public property for less than the Government should have received. This was explained by the General Accounting Office as follows:

Our review disclosed that for some land dispositions by sale or lease-sale the appraisals by the Bureau had been made as long as 4 years before the date of disposal * * * the Government may receive less than the fair market value for the lands when the appraisals are noncurrent, especially in a rising market (*ibid.*, p. 33).

Secretary Udall's decision for an 18-month moratorium permitted the Bureau of Land Management to cut down a mountainous backlog and adopt up-to-date procedures to prevent such chaotic conditions from occurring again.

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IV. A CASE STUDY: LAND EXCHANGE AT NEW RUTH, NEV.

In addition to the cases discussed in the interim report, a land exchange at New Ruth, Nev., provides an excellent example of the type of defects uncovered in the subcommittee's study of the Bureau of Land Management's appraisal system. In analyzing a Kennecott Copper Corp. proposal to trade some grazing land it owned for three parcels of public land—one of which included the town of New Ruth—the Government appraiser valued the townsite as grazing land worth less than \$80. Hardly 12 months after the Bureau of Land Management permitted the exchange to be consummated, Kennecott Copper Corp. sold New Ruth to a national real estate firm for \$493,000. The facts developed by the subcommittee are presented in detail as a case study in land appraisal practices.

A. DETAILS OF THE LAND EXCHANGE

For a number of years the Kennecott Copper Corp. has conducted mining operations at Ruth, Nev. The town of Ruth actually was a company-constructed town housing miners and other employees and located on land owned by the corporation. As long ago as 1943 it was determined by the corporation that any new mining operations would impinge on the area of Ruth, and consequently the houses and other structures would have to be relocated. On or about May 1, 1951, the suggestion was made that a site about a mile away on public land, subsequently called New Ruth, be selected for the relocation so that mining operations could be expanded at Ruth. On May 10 and 11, 1951, the corporation filed mining claims on the proposed New Ruth townsite, although it was apparently well known that the land was not mineral in character. The proposal to move the town was then taken to the board of directors of Kennecott, which approved it on July 20, 1951. Weather interfered with plans to effect the relocation, with the result that not until June 1952 was actual construction of New Ruth commenced. Under the law, persons filing valid mining claims on public land may erect buildings on such claims if they are to be used in connection with mining operations on the claims. Under this rationale, Kennecott proceeded to construct the town of New Ruth. Eventually a total of 180 structures, including houses, apartment houses, stores, and business firms were erected. In addition, the townsite contained 361 unimproved lots.

About the time the corporation undertook construction of New Ruth it purchased four mining claims and two fractional claims in the area for \$9,000, a figure more than 100 times greater than the value of the entire townsite assigned later by Government appraisers. Although corporation officials later stated they felt they were being "held up," they paid the price in order to blanket the entire New Ruth area with company-controlled mining claims.

Assessment work required by the mining laws was performed by the corporation, but nothing was done toward obtaining patents on

the land. Such action would have been a waste of time, of course, because it was known that the land was not mineral in character.

During 1955 the corporation decided, as part of its labor relations policy, to divest itself of its company towns and permit its employees to become homeowners. This is duly noted in the field report of the Bureau of Land Management:

The idea of selling employees their own homes is a labor relation wise move. It is felt by Kennecott that if employees own their own homes they will be much more content with their jobs, thus reducing the high percentage of turnover in employees (exhibit E, p. 40).

The obvious problem, of course, was that Kennecott did not own the land it wanted to sell to its employees; the town of New Ruth was in trespass on public land. Because the site of New Ruth was not mineral, the mining claims were invalid and could not be patented and control gained that way; the only alternative available to the corporation was to propose swapping land it owned to the Government in return for title to New Ruth.

On May 3, 1956, Kennecott applied to the Bureau of Land Management for a land exchange involving about 1,681 acres of land it owned in return for about 1,090 acres of public land, including New Ruth. Several weeks later a BLM field examiner filed a report that found the exchange to be in the public interest (exhibit E, p. 39). Subsequently the land exchange was approved and title to New Ruth passed to Kennecott Copper Corp.

On June 1, 1957, Kennecott sold New Ruth to John W. Galbreath & Co., of Columbus, Ohio, a real estate management firm, for \$493,000. One year later (June 2, 1958) Kennecott purchased eight lots in New Ruth from the owner for \$6,000 and shortly transferred them to the Galbreath firm for the same price. The latter transaction was accomplished to fill out the townsite, the subcommittee was told. Galbreath meanwhile proceeded to sell the land and improvements, and at the time of writing has sold approximately \$550,000 worth of property. Lots and improvements assessed at nearly \$20,000 remain unsold.

B. QUESTIONS RAISED BY THE LAND EXCHANGE

Thorough examination of the New Ruth land exchange raised a number of questions about the procedures followed by the Bureau of Land Management, the interpretation and enforcement of existing laws and regulations, and the method of determining whether the public interest was being served.

1. Value of the land involved

The law provides that the value of the public land being transferred out of Government ownership not exceed the value of the private land being transferred to the Government. Appraisals therefore play a key role in determining whether an exchange should be approved. Not only is the character of the land relevant to its value, but the uses to which the land is or may be put also must be taken into consideration.

In the case of the New Ruth exchange, the Bureau of Land Management appraiser chose to ignore the use to which the townsite was

being put and instead considered only its natural condition. The fact that lots and improvements worth a half million dollars were in place and in use was noted, but the implications rejected: "All types of improvements which are normally associated with a townsite are found on this land" (exhibit E, p.43). New Ruth occupied less than half of the 460 acres contained in one of the three parcels of public land involved in the exchange. The rest of the New Ruth parcel, plus another 200-acre parcel, were estimated by the appraiser to have a livestock grazing capacity of 30 acres per animal unit month, which translates to a value of approximately \$110. The third parcel of 440 acres had much more vegetation and was valued by the appraiser as capable of supporting 704 animal unit months, for a dollar value of \$3,520 (exhibit E, p. 44). In adding up the three parcels of public land, however, the appraiser came up with a total of 704 animal unit months and a total value of \$3,520—a calculation that in effect found the half million dollar town of New Ruth to be worthless (exhibit E, p. 45).

In this procedure the appraiser noted the fact that four mining claims in New Ruth had been purchased by Kennecott Copper Corp. for \$9,000. But he dismissed this factor as "nuisance value paid in order that Kennecott would have this area completely covered by mining claims" (exhibit E, p. 44).

Having conveniently figured a half-million-dollar town into worthless grazing land, the appraiser then valued the private grazing land at \$4,335 and recommended that the deal be consummated in the public interest.

2. Trespass of public lands

At the time examination is made of a proposed land exchange any evidence of trespass is noted and charges proposed. Two such cases were noted in the field examination, and charges were duly levied; one such case—by far the most significant in the entire exchange—was mentioned, only to be dropped without penalty of any kind.

Kennecott was found to have been farming 13 acres of public domain since 1940, without permission. For growing alfalfa on this land the corporation was assessed a trespass charge of \$3,120. In addition, a Kennecott powerline was found to be in trespass of public land for nearly 1 mile, with no application on file for a transmission line right-of-way. For this the corporation was assessed a trespass charge of \$25.

The most obvious trespass, however, was dealt with in a different manner. Of the \$500,000 worth of buildings, streets, and other improvements placed by Kennecott on public land, the appraiser wrote: "Possibly the development of these claims into a townsite constitutes an occupancy trespass on the part of Kennecott Copper Corp." (exhibit E, pp. 45-46). He then dropped the subject. One explanation given for not pressing the trespass issue was that use of the land as a townsite was "reasonably incident" to mining operations.

The evidence indicates that the mining claims filed on New Ruth were invalid from the start since the land was nonmineral in character and no discoveries of a valuable mineral were made. If this is correct, the company had no rights of any kind to the land, and the building of the townsite was a trespass. Under these circumstances the improvements would belong to the United States and should have been included in the valuation. The fact that the townsite was

incidental to mining elsewhere would have no relevance to the situation.

Moreover, even if the improvements did not belong to the United States (which seems unlikely), the value of the land as unimproved residential and business property was far above the Bureau of Land Management appraisal. Twenty-six unimproved lots in New Ruth have already been sold for approximately \$4,000, a figure well in excess of the Government appraisal for the entire 1,090 acres of public land traded to Kennecott. In addition, the assessed value of a number of unimproved lots not yet sold is nearly \$7,000, approximately double the Government's appraisal for the public lands involved in the exchange. Failure to recognize and apply this consideration throws great doubt on the validity of the Government's land appraisal practices.

3. Kennecott's retention of mineral rights

Another assumption that played a part in determining whether the public interest was being served was the examiner's assurance that—

* * * they (Kennecott) have agreed upon the land office's request to assign all mining claims covering this area to the United States * * * (exhibit E, p. 46).

The import of this assumption was that Kennecott was surrendering its mineral rights to the New Ruth area and therefore the Government need not question the validity of the original claims. However, no effort was made by any Bureau official to secure a legal opinion on either the question of validity of the claims or the trespass itself. Moreover, records of the Bureau of Land Management indicate that Kennecott secured mineral rights to the New Ruth area and retained those rights when the townsite was subsequently sold for a half-million dollars.

4. Company control over sale of New Ruth

The final assumption made by the examiner was that it would be in the public interest for Kennecott to get legal title to New Ruth so that the city could be sold to its inhabitants. "In the event the occupants do not want to purchase their homes, the homes will become available for purchase by the general public," the examiner states (exhibit E, p. 46). An official of Galbreath & Co., however, told the subcommittee that Kennecott reserved the right to veto any proposed sale so that homeownership in New Ruth could be limited to company employees and "undesirables" could be kept out.

V. EXHIBITS

EXHIBIT A.—INSTRUCTIONS ON APPRAISAL PRACTICES ISSUED TO FIELD PERSONNEL OF THE BUREAU OF LAND MANAGEMENT, DECEMBER 1959–DECEMBER 1960

Exhibit A-1.—Organization of Land Appraisal Activity

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., March 10, 1960.

Memorandum.

To: All Area Administrators.
All State Supervisors.
Eastern States Supervisor.

From: Director.

Subject: Organization of Land Appraisal Activity.

In order to improve further the professional caliber of Bureau land appraisals and in order to better utilize the appraisal talent in the Bureau, land appraisal activity will be organized and directed as follows:

ORGANIZATION

I. Director's Office—Lands Staff

A. The position of lands staff appraisal specialist (GS-12 or 13) will be maintained with appraisal duties as follows:

1. Technical staff supervision of field appraisal activities, including—
 - (a) Formal and informal inspection of general appraisal methods;
 - (b) Spot check of pending and completed cases;
 - (c) Audit of completed appraisals on a selective basis;
 - (d) Review and evaluation of all appraisals requiring Director's or Secretary's approval; and
 - (e) Review and evaluation of area office appraisal review.
2. Principal adviser to the lands staff officer on land appraisal matters which affect the Bureau.
3. Preparation of appraisal instructions to guide field operations and to set Bureau standards.
4. With the aid of the Bureau training officer, development and general supervision of bureauwide appraisal training programs.
5. Technical representative for the lands staff on the Bureau Appraisal Review Board or comparable groups.

II. Area Office—Lands Staff

A. The position of reviewing appraiser (GS-12) will be maintained with direct responsibility to the area lands officer and with duties as follows:

1. Technical staff supervision of field appraisal activities, including a formalized review of appraisals on a systematic and selective basis.

The area will establish a schedule for each State showing the manner and degree of review to be conducted. Written reviews will be required, with one copy for the Office of the Director.

2. Determination of the qualifications of all appraisers in the area and maintenance of file indicating appraisal experience and competency for each land appraiser, showing the types of appraisal activity, if any, which each person will be permitted to undertake.

3. Principal adviser to the area lands officer on land appraisal matters.

4. Interpretation and areawide implementation of Bureau instructions and standards.

5. Coordination of the appraisal activities of the States within the area, including the establishment of training programs.

B. The incumbent for this position must be qualified and approved by the Office of the Director.

C. For the present, the area lands officer in area 4 will also act in the capacity of the area reviewing appraiser.

III. State Office—Lands Staff

A. The position of land appraisal specialist (GS-11) will be established under the supervision of the lands officer (under the immediate supervision of field group chiefs, where they exist) and with the following duties (a draft position description is attached):

1. Collection of appraisal data, either by himself or through other appraisers and analysis of such data for use by all State appraisers—

(a) To establish benchmarks, trends, and related aids;

(b) To assist other appraisers in making individual appraisals.

2. Constant contact with real estate developments to maintain a "feel" of the land market in the State to keep all appraisal activities up to date as to market conditions.

3. Review of all appraisals for technical adequacy with written report on each appraisal for use by the classification officer before acceptance of the appraisal.

4. Performance of the more difficult appraisals which require the degree of skill that he possesses.

5. Evaluation on a regular basis of the competency of the other appraisers, with reports to the lands officer and the area reviewing appraiser and suggestion of ways to improve competency of the appraisers.

6. Direction of on-the-job training for other appraisers, particularly new employees.

IMPLEMENTATION

This organization is effective immediately. The following timetable will be observed in completing the details of the organization:

1. Each State supervisor (assistant to the State supervisor, Los Angeles, and operations supervisors in Alaska) will nominate an incumbent for his appraisal specialist. Since the top journeymen land examiners are already at this grade, few or no promotions are anticipated. However, all offices may not have qualified personnel to assume the duties of this position, and it may be necessary to transfer qualified personnel. No additional positions are contemplated, and this will be basically a matter of reorganizing the duties of existing lands staff. All proposed incumbents for these positions must be

approved as qualified jointly by the Director and respective area administrator.

If a State supervisor has no qualified personnel, he should so indicate. These nominations will be to the area administrator by April 15 (directly to the Director by Eastern States office).

2. Each area administrator will review the States nominations, add their recommendations, including the recommendation of a man for any States which do not have a qualified man in the office, and forward to the Office of the Director by May 1.

3. By May 15 the Office of the Director will approve the State appraisal specialist incumbents and the organizational system will become operative as of that date.

Please advise this Office of any questions or recommendations you may have regarding these instructions.

For the Director:

H. R. HOCHMUTH.

DRAFT POSITION DESCRIPTION, STATE APPRAISAL SPECIALIST

I. NATURE AND PURPOSE OF WORK

A. Introduction

This position is located in the ----- State office lands and minerals section. Incumbent serves as a professional land examiner and appraiser under the supervision of the lands and minerals officer. He has responsibility for maintaining the professional level of land appraisal activity in the State office lands staff, in accordance with Bureau appraisal standards. He assists the lands and minerals officer in other duties as assigned.

B. Duties

1. The incumbent acts as principal assistant to the lands and minerals officer in the land appraisal place of the State office program. This includes (a) gathering appraisal data, either by himself or through other appraisers, and analyzing such data for use by all State appraisers; (b) keeping abreast of real estate developments to maintain a "feel" of the land market in the State, and making such information available to other appraisers; (c) reviewing all appraisals made by other land appraisers, prior to use, for technical adequacy; (d) evaluating the competency of other appraisers; and (e) directing on-the-job training for the other appraisers.-----50 percent.

2. The incumbent makes investigations and appraisals for the most complicated and difficult appraisal cases handled in the office. This will involve contact with many different segments of the public and the preparation of appraisals for high value industrial and commercial property where elements of value are obscure and misleading. The incumbent must exhibit a high degree of professional competency in the use of all the accepted techniques of appraisal to properly evaluate these properties.-----25 percent.

3. The incumbent assists the lands and minerals officer in conducting the general administration of the lands staff. This includes work assignment, progress evaluation, preparation of data for programs and progress reports, and other special reports as required. 25 percent.

4. Incidental operation of a motor vehicle by incumbent is required in the performance of his duties.

C. Scope and effect of work

Recommendations and decisions made by the incumbent are subject to review by the lands and minerals officer for adequacy and sound judgment. Except for the most technical or complex cases or situations, recommendations made by the incumbent are usually accepted with only cursory review by his supervisor. The incumbent's efforts will be instrumental in maintaining a high level of quality for the appraisals prepared by the lands field examiners and appraisers.

D. Supervision and guidance received

Incumbent works under the general supervision of the State lands and minerals officer. He receives general instructions after which he works independently, developing his own plans and methods for accomplishing his assigned duties. Incumbent is held fully responsible for planning, organizing, scheduling, and conducting the office appraisal review function and for maintaining the general level of appraisal quality in the State.

E. Mental demands

The incumbent must have a good technical understanding of the principles of agricultural economics and the economies of land use. He must have a working knowledge of range management, and soil and moisture conservation methods and treatments. He must have a detailed knowledge regarding all aspects of land appraisal. This position requires a sound working knowledge of land statutes, departmental regulations, Bureau policies and procedures. The incumbent must be able to ascertain and analyze changing physical and economic factors affecting land values.

F. Personal work contacts

Frequent contacts with Federal, State, and county officials, ranchers, farmers, business people, and professional people are required in compiling basic data and other related information in determining the proper use of land and the value of various types of land under varying conditions.

Exhibit A-2.—Bureau of Land Management Lands Appraisal Training Program

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., June 17, 1960.

Memorandum.

To: All Area Administrators.
All State Supervisors.

From: Director.

Subject: Bureau of Land Management Lands Appraisal Training Program.

It is felt that all appraisal personnel, including appropriate staff members from Washington and field offices, require training commensurate with their responsibilities and complementary to their appraisal background. To accomplish this, an overall intensification of effort in appraisal training, applied constantly and continuously, is required.

There appears to be little argument as to whether further training of Bureau appraisers is required. It has become a question only of how much training is necessary, for whom, how should it be done, when, who should do it, where should it take place, and under what circumstances.

The time has come to review the past training of the Bureau's appraisal personnel, so that further training can be properly scheduled. The training which has already occurred can be used as a foundation upon which a strong appraisal program can be built.

Therefore, it is imperative that we assess our actual training needs to be assured that training is being conducted in the right place, at the right time, and in the right amounts. Too much training or ill-conceived training is a waste, just as no training, too little, or the wrong kind of training is a loss. It is important to know why each training course or program is set up and what it is designed to do. Frequent checks must be made to be sure that the training is accomplishing the purpose for which it was designed.

Training needs exist in (1) indoctrinating new appraisers, (2) improving the performance of all appraisal personnel, (3) further development of existing staff or reviewing appraisers, and (4) instructing the classification officers as to their opportunities for insuring the satisfactory performance of the appraisal functions.

To satisfy the above needs and achieve recognized objectives, the necessary training must be of a diverse nature as to type, frequency, and participants. The attached chart indicates the features of the total appraisal training program.

The program contemplates that all new appraisers immediately upon their employment be given basic training in appraisal, followed by practical training in the field. This training will be conducted by the State reviewing appraiser.

The State reviewing appraiser will give all appraisers continuous individual, on-the-job appraisal training on a refresher and advanced basis depending on the experience and training needs of the individual.

Periodically, preferably once a month, staff meetings will be held by the State reviewing appraiser to be attended by all of the Bureau appraisers within the State. This meeting is to be held in order to discuss special problems which have come to the State reviewing appraiser's attention through his observation or which have revealed themselves through the review of appraisal.

In addition to the above informal training, annual refresher and advanced appraisal training of all Bureau appraisers within an area should be conducted by the area reviewing appraiser in various State offices on a rotation basis. These formal sessions will include actual field problems.

Journeyman appraisers who have demonstrated a potential for advancement will be sent to appraisal training courses outside of the Bureau when it is felt that they can benefit from such schooling. These outside courses include, but are not limited to, courses I and III, conducted by the American Institute of Real Estate Appraisers.

A part of the duties of the area reviewing appraisers call for the inspection of State appraisal practices and auditing of individual appraisals. Members of the headquarters lands staff will also conduct such audits from time to time. This may include going through the appraisal, being audited, in the field accompanied by the author. Such an appraisal audit becomes a good training tool by revealing to the appraiser the shortcomings of his appraisal.

Once every 2 years, training in supervisory responsibilities for appraisal performance will be conducted by members of the headquarters lands staff in conjunction with overall lands conferences or workshops. These sessions are to be attended by classification officers and area reviewing appraisers.

On an annual basis, the area reviewing appraisers will meet with the headquarters reviewing appraiser to discuss mutual appraisal problems and other appraisal matters which are of bureauwide concern. These meetings are to be conducted in various Bureau offices on a rotating basis.

Following completion of each of the various formal elements of the appraisal training program, an evaluation of the results will be made to measure the benefits to the Bureau and the skills, knowledge, and attitudes of the appraisers which have attended. Such followup action is part of the constant effort to delineate problem areas which indicate further training needs and to insure that the training program is achieving the established objectives.

EARL J. THOMAS,
Acting Director.

Elements of proposed lands appraisal training program

Who is to be trained	In what	How	Where	By whom	When
1. All new appraisers.....	Basic training.....	Individual.....	State office and field.....	State reviewing appraiser.....	Upon employment.
2. All State appraisers.....	Refresher and advanced appraisal training.	do.....	On the job.....	do.....	Continuous.
3. All State appraisers.....	Special problems.....	State group.....	State office.....	do.....	Periodic (monthly).
4. All appraisers, areawide.....	Refresher and advanced appraisal training.....	Area group.....	State offices and field on rotating basis.	Area reviewing appraisers.....	Annually.
5. Key appraisers.....	Advanced appraisal training.....	Individual.....	Outside facilities.....	Outside professionals.....	Based on needs (some Bureau participation annually).
6. Classification officers and State reviewing appraisers.	Supervisory responsibilities for appraisal performance.	do.....	State office.....	Area and headquarters staff.....	Periodic (not less than annual).
7. Classification officers and area reviewing appraisers.	do.....	Group.....	Adjunct to overall lands conference or workshops.	Headquarters staff.....	Biannual.
8. Area and headquarters reviewing appraisers.	Resolution of mutual appraisal problems and other appraisal matters of bureau-wide concern.	do.....	BLM offices on rotating basis.	Group conference or workshop.	Annual.

Exhibit A-3.—Appraisal Review

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., August 19, 1960.

Memorandum.

To: Area Administrators, Areas 1, 2, 3, and 4.

Eastern States Office.

From: Director.

Subject: Appraisal Review.

We hope that by this time all State reviewing appraisers whose appointments have been approved by this office have assumed the duties relative to the position.

In the following offices, the positions have not as yet been officially filled and the State lands officer or other persons have been designated to review appraisals on an acting basis: Washington, Oregon, Arizona, Wyoming, Colorado, New Mexico, Juneau, Fairbanks, and Eastern States Office.

In these offices, the positions have not been filled either because (1) the areas and/or States have not been able to make an unqualified recommendation regarding a nominee, (2) the nominee recommended has not been approved, or (3) the workload of the office may not be sufficient to warrant the position.

Irrespective of whether the position has been officially filled, it is imperative that all appraisals are adequately reviewed. Therefore, the area reviewing appraisers are directed to assume individual case review responsibilities in those offices where State reviewing appraisers have not been approved. This review will be in addition to the review given by the acting State reviewing appraiser and, among other things, will provide a further basis for determining his qualifications for the position on a more permanent basis. The headquarters staff reviewing appraiser will assume this duty for Eastern States Office. They will continue this assignment until such time as the position is officially filled, or until other arrangements sufficient to insure adequate review can be made. Recommendations for filling the positions officially should be made as soon as a qualified person can be identified.

EDWARD WOZZLEY, *Director.*

Exhibit A-4.—Land Appraisals—Comparability

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., August 26, 1960.

Memorandum.

To: All Area Administrators.

All State Supervisors.

From: Director.

Subject: Land Appraisals—Comparability (V BLM 6.7).

Field inspections and other audits disclose that all our appraisers do not as yet fully understand the nature of our emphasis on comparability in lands appraisals. Some apparently have felt that the new requirements could be met simply by securing data on a larger number of sales.

Our particular emphasis, however, has not been the quantity of comparable sales used but rather on the quality of the analysis of "comparable" sales. Of course, for each appraisal we need a sufficient number of sales to enable the appraiser to establish fair market values with confidence. Of equal if not greater importance is that all sales used must be adequately analyzed and discussed to show how the appraiser reached the specific value he concludes for the tract of public land in question.

In order for the appraiser to do this properly, he must describe, evaluate, and discuss the major characteristics of the lands he is appraising and of each of the tracts of land he is using for appraisal purposes. In addition, he must consider the circumstances of each of the sales. When all the major characteristics have been identified, then the appraiser must discuss the similarities and differences and show how and why he concludes that the value of the public land is the same, more, or less than the price paid for the comparable-sale land.

Among the characteristics and circumstances the appraiser must consider and present in his report are the physical characteristics of the land, their productivity for various purposes, the size of the tracts, the terms of the sales, whether the sales included special values such as those added by improvements or by the fact that the lands were base for grazing privileges, etc., etc., depending on the circumstances.

The following is a greatly oversimplified example of what we mean by the above discussion:

A tract of public land (PL) is being appraised. For the purposes of appraisal, the appraiser found four different recent private sales in the area (PS No. 1, PS No. 2, PS No. 3, PS No. 4), the lands in which sold, respectively, for \$1,000, \$1,500, \$2,000, and \$6,000. These tracts were all located near the PL. The appraiser went about comparing all the tracts against each other. He found that they all had substantially the same present use and reasonably foreseeable future use. One important feature was that PS Nos. 1, 2, and 3 were bona fide sales for cash without duress but PS No. 4 was a bona fide sale

without duress for very liberal terms. He also found out that lands sold under the terms of PS No. 4 sold for 50 percent above cash fair market value. He had evidence of this which he showed in his report. He therefore set up all the sales on a cash basis as follows:

- PS No. 1=\$1,000
- PS No. 2=\$1,500
- PS No. 3=\$2,000
- PS No. 4=\$4,000 (reduced to a cash basis)

The appraiser then compared the physical and other usability features of the land and found that all the lands were fairly similar and of about equal acreage except that for PS No. 1 topography and certain permanent easements made only a little less than one-half of the area usable for the present and reasonably foreseeable future use; the value of the remainder was very low. On the basis of "usable" areas, he realigned the prices as follows:

- PS No. 1=\$2,000 (adjusted for usable area)
- PS No. 2=\$1,500
- PS No. 3=\$2,000
- PS No. 4=\$4,000 (reduced to a cash basis)

Examination of PS No. 4 showed that the lands were base for grazing privileges which on the market were worth \$1,000. It also contained a small but desirable building site which on the market was worth \$800-\$1,000. These values were based on comparable-sales data he had available and showed in his report. This resulted in the following lineup of values:

- PS No. 1=\$2,000 (adjusted for usable area)
- PS No. 2=\$1,500
- PS No. 3=\$2,000
- PS No. 4=\$2,000-\$2,200 (reduced to a cash basis; grazing privileges and building site eliminated)

All other factors that seemed applicable to these sales appeared about the same with the possible exception of the knowledgeability of the buyers and sellers. The appraiser then considered the buyers and sellers involved and determined that the seller in PS No. 2, an absentee owner who undertook to sell the land himself, probably did not realize full market value for his land.

The PL involved was very similar in area and characteristics to PS Nos. 2, 3, and 4, had no grazing privileges attached to it, no building sites, and no other special advantages. The appraiser then concluded in view of all this that the fair market value of the PL was \$2,000. (The above illustrates the reasoning process involved; the appraisal would not be necessarily written out in that manner.)

The above example assumes that the appraiser could find logical explanations for all variations in prices of the comparable lands. However, it is quite possible sometimes to find no logical explanation for a particular variation but if the variation is within acceptable limits and does not represent drastic changes it may have no particular significance. However, sometimes the variations are so large and erratic that it justifies a conclusion that the market is so speculative that stable price has not developed. It might further indicate that as long as there is a reason for speculative interest, such stability will not be attained.

In such cases, the appraiser must recognize the situation and state that he cannot set a firm value of the public land with confidence in

view of the instability of the market. This would be preferable to setting an artificial price based on averages, highest prices, or other arbitrary measures.

Particular and careful attention must be paid to the activities of speculators in an area. Such activities are signals that uses and values are probably changing. Prices paid by speculators must be given full weight in determining the fair market value of lands.

Much of the present concern over land appraisals results from poor documentation of appraisals and inadequate treatment of comparability in the past. We will bend every effort to make good appraisals and to prepare fully adequate reports of those appraisals. Reviewing appraisers at the State, area, and Washington levels will screen every report carefully and will not pass any that do not meet Bureau standards and criteria. Very close attention will be given to this matter of comparability.

EDWARD WOOLLEY, *Director.*

NOTE.—A location map is essential to every appraisal in the consideration of comparability. The map must show the location of all the lands discussed in the appraisal (the public lands and the comparable-sale lands), the general environment of the subject lands (including geographical, cultural, and economic features which affect values), and any other reference data of significance to the appraisal.

Exhibit A-5.—Guidelines for Keeping Land Appraisals Current

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., August 26, 1960.

Memorandum.

To: All Area Administrators.

All State Supervisors.

From: Director.

Subject: Guidelines for Keeping Land Appraisals Current.

Attached are procedures to insure that adjudicative actions in the land offices are being taken on the basis of current land appraisals. They should be implemented at once.

Comments are invited on these procedures in order to further the objectives sought. The procedures along with other developments along this line will appear as a manual release.

EDWARD WOOLEY, *Director.*

PROCEDURES TO INSURE THAT ADJUDICATIONS ARE TAKEN ON THE BASIS OF CURRENT APPRAISAL

A. With regard to lands cases which require a land appraisal to be made, the classification officer and adjudication officer will coordinate their activities to permit scheduling them in order that appraisals will not become obsolete before the need for the value estimate arises. Where it can be foreseen that difficulties will arise to delay action on lands cases, the appraisal will be delayed even if it means the necessity for two field examination, one to determine proper classification and another for land appraisal. Examples of this would be the existence of mining claims on the land or the necessity for the preparation of a supplemental plat in order to properly describe the tract of land involved.

B. Close coordination between the classification officer and the adjudication officer is also necessary to avoid a glutting of the land office with cases from the classification officer to the extent that appraisals will become obsolete before the cases can be reached for action.

C. When lands cases including land appraisals have been referred to the adjudication officer for use in connection with the adjudication of a case or cases, the land appraisals will be reviewed by the classification officer where the circumstances shown below occur. The purpose of the review is to determine whether or not the appraisal is still current under Bureau standards and, if it is determined that changed conditions cause it to be no longer current, to have adjustments made to bring it current or have a new appraisal made.

D. Reviews shall be made when one of the following conditions occur:

1. If a case is not reached for adjudication until after the lapse of 6 months since the date of appraisal.

2. When a case is adjudicated up to the point where the Bureau would be in a sense committed as to the transaction. Ordinarily the point at which the Bureau would be "committed" is the issuance of a decision either—

- (a) Conditionally approving the transaction;
- (b) Ordering publication of an application for disposal;
- (c) Allowing the application where publication is not required.

3. When final action on a case is delayed more than 3 months after the "commitment," action mentioned in 2 above because of appeals, protests, disputes among claimants, lack of timely action, or other impediments to prompt completion of a case.

E. The adjudication officer's request for review shall be an informal one such as through a note or oral request. However, the case record will reflect the nature and result of each appraisal review.

F. In reviewing the appraisal report, the classification officer shall determine that either—

1. Conditions have not changed and the appraisal is still current, or
2. Conditions have changed somewhat requiring an adjustment in the valuation estimate to reflect current conditions, or
3. Conditions have changed to the extent requiring a complete reappraisal.

G. Reviews will be made by the State reviewing appraisers after any necessary consultations with the appropriate field examiners, and will be forwarded to the adjudication officer through the classification officer.

Exhibit A-6.—Lands Review Statement No. 2

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., August 30, 1960.

Memorandum.

To: All Area Administrators.

All State Supervisors.

From: Director.

Subject: Lands Review Statement No. 2.

Referring to our memorandum of May 19, this is the second in a series of "Lands Review Statements," which will be issued from time to time. This statement sets forth some of our thinking in land appraisal.

For the Director:

H. R. HOCHMUTH.

LANDS REVIEW STATEMENT No. 2

Subject—Land Appraisals: Reports and Organizations; Value Trends: Easements, Permits, and Leases

REPORTS AND ORGANIZATIONS

Since 1956, when the Department circulated a study entitled "Report of the Committee on Land Appraisal Practices in the Department of the Interior," among the various bureaus, the Bureau of Land Management has placed on a more formal basis its efforts to improve land appraisal practices within the organization. Up until last year most of the Bureau's land appraisers were aware of the procedures necessary for making a valuation estimate of a tract of land, but, chiefly in the interest of maximizing production, were not preparing reports which would lead the reader through the processes of appraisal to convince him of the soundness of the final estimate. In short, the reports, by and large, were little more than the conclusions reached by the appraiser.

As a result of this, the Bureau has come under fire from various sources such as the General Accounting Office and the Special Subcommittee on Assigned Power and Land Problems of the House of Representatives. We are not out of the woods on these yet. However, in all the investigations into the situation no evidence of any wrongdoing has been found and we are confident that none will or can be found, as none has occurred.

A year ago, the Lands Staff Office initiated a practice of preparing evaluations of any land appraisal report which it had the occasion to review. We have insisted that every appraisal constitute a detailed step-by-step presentation of the appraisal problem, the pertinent facts and limiting conditions, assumptions, analyses, and conclusions, together with all the supporting details. We realize that this is far

in excess of what is found in most reports prepared by appraisers in private practice, but we will continue to insist on this type of report, at least until the Bureau of Land Management has gained the reputation for having a corps of good appraisers. Only when this goal has been achieved can we consider modifications of our present requirements.

In addition to the hard look that we have given appraisals, we have, by memorandum of March 10, explained the organization of the function within the lands activity, listing the duties of reviewing appraisers at the area and State levels. The area reviewing appraiser position has been authorized in areas 1, 2, and 3 for some time, but, except for area 3, no active recruiting had taken place to fill these positions. As of this date, this position has been filled in these three areas and a position has been provided for in area 4. We have also been active in filling the State reviewing appraiser positions. To date a number of these positions have been filled.

On May 16, the three area reviewing appraisers plus the lands staff officer for area 4 came into the Washington office for a 2-week workshop session. The discussions in this session included the duties and responsibilities of the area and State reviewing appraisers, revision of the BLN Manual involving land appraisal, the new land report form, appraisal training, and professional relations with others in the land appraisal field. A direct result of this appraisal workshop was the lands appraisal training program set forth in our memorandum of June 17. Other formal results of the workshop are forthcoming. The workshop provided a chance for the exchange of ideas among the reviewing appraisers and general agreement as to the direction we wished to take in bettering the land appraisal function of the Bureau. This is, we hope, having its impact within the areas and States as the reviewing appraisers brought new ideas home with them.

PRESENT VALUE TRENDS

In recent years, land values in the United States, particularly in the West, have been rising. In some areas this rise has been substantial. Appraisers have noticed these trends, and have made diligent attempts to keep up. This, especially if combined with criticism of past work, could make appraisers lean toward the highest volumes which could be justified, while other conditions could make them lean toward the lowest values possible.

This "swinging of the pendulum," so to speak, is not desirable, and the tendency should be recognized and resisted. Appraisers should always be striving for "current market value."

APPRAISAL FOR RIGHTS IN PROPERTY

In our travels throughout the Bureau, we sensed the high value swinging of the pendulum in the case of appraisal for permits and leases. In these cases we are appraising only a portion of the "bundle of rights" involved, and the difference in value between a portion and all of us these rights may be substantial.

With the Bureau emphasizing the multiple-use concept and urging the use of section 7 classification authority rather than withdrawing lands, more and more permits, easements, and leases will be issued

under 43 CFR 9. In addition, certain rights-of-way under 43 CFR 244.21(b) require appraisals. The staff has also recommended that, insofar as is lawful, all rights-of-way be charged for on a current market value basis.

It has been found that some of our offices are appraising the entire bundle of rights when determining the rental to be charged rather than only that portion of the rights for which leases and permits are being issued. As an example, where an application under the act of September 4, 1954, is filed by a State for an easement across lands which have been classified for a multiple-use management area, a determination should be made by the appraiser as to just what rights are involved. He should then set about appraising only the current rental value of these rights. This is a basic part of the appraisal process. In the above example, it is especially important. We tend to defeat our balanced resources use concept if we overcharge the State rental on land covered by an easement, where the easement is needed to properly manage and harvest the wildlife resources in the area, and the Bureau has encouraged the State to file the application.

The appraisal of only a portion of the rights to land is one of the hardest types of appraisal to perform. Some references to the techniques of such appraisals can be found in the "Real Property Appraiser's Handbook" published by the U.S. Army, Corps of Engineers; "McMichael's Appraising Manual" (4th edition) by Stanley L. McMichael, and "Condemnation Appraisal Handbook" by George L. Schultz.

**Exhibit A-7.—Appraisal Review—Special Land Use Permits and
Certain Rights-of-Way**

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., October 10, 1960.

Memorandum.

To: All Area Administrators.

All State Supervisors.

From: Director.

Subject: Appraisal Review—special land use permits and certain
rights-of-way.

With respect to our memorandum of March 10, the appraisal review process is intended to include all land appraisals performed by the Bureau of Land Management. Therefore, the State reviewing appraisers, or personnel acting in this capacity, are expected to review all appraisals for the types of cases covered by volume V of the BLM Manual, whether the appraisals are performed by land classification personnel in the State office or by district personnel.

For the Director:

H. R. HOCHMUTH.

EXHIBIT B.—LAND CONSERVATION POLICIES OF THE DEPARTMENT OF THE INTERIOR WITH RESPECT TO LAND CLASSIFICATIONS AND DISPOSITIONS BY THE BUREAU OF LAND MANAGEMENT

(February 14, 1961)

1. The Government must receive a full return for its property in terms of money or other values. No party to a transaction with the Government should receive a windfall. To the extent that the law permits and in the absence of a binding contract, (a) no transaction will be entered into by the Bureau of Land Management where it is not clearly shown by competent evidence that the Government will receive full value and (b) no transaction will be consummated where, in the course of processing, evidence develops that the Government will not receive full value.

2. Private exchanges will not be entertained or consummated except where it is shown that there are compelling reasons to acquire the offered lands to augment long-range Federal resource management programs. Leases, sales, or other dispositions of public lands will not be made unless the lease or disposition will serve a sound public purpose, including the satisfaction of bona fide needs of the general economy and improving the administration of the public lands. Leases, sales, and other dispositions of public lands will not be made when they would encourage or promote speculation in public lands.

3. Public lands which are marginal for agriculture or which are more valuable for uses other than agriculture or which under national agriculture policy would not be found proper to be reduced to cultivation will not be classified for entry under the public land agricultural development laws.

4. Lands which cannot properly be developed under existing public land laws, taking into consideration such things as full return for the lands, requirements of State, county, and other local agencies, and the needs of the local economy will, wherever feasible, be retained in Federal ownership, pending the enactment of appropriate legislation.

5. The Director, Bureau of Land Management, will establish procedures which will insure the full implementation of these antispeculation policies. Among other things, he will institute procedures to determine, at the time or times just prior to the actions whereby commitments would be made, that positive and convincing evidence exists that the Government will receive full value from the transaction under consideration and that discretionary actions leading to disposition or lease of public lands made pursuant to the public land laws will meet the test of serving the public interest.

EXHIBIT C.—MEMORANDUM ON COMPARABILITY IN APPRAISALS

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., December 26, 1961.

Memorandum.

To: State Directors.

From: Director.

Subject: Appraisals.

Much of the present concern over land appraisals results from poor documentation and inadequate treatment of comparability. All too often an appraisal report will list comparable sales unsupported by rationalization of the pertinent factors of time, location, physical characteristics, and other value-determining agents and is concluded with this statement "based on the above sales it is my opinion that the fair market value of the subject land is-----." This type of report, acceptable generally in the appraisal profession, does not meet the requirements of this Bureau. The Bureau is often given short notice to defend estimates of value prepared by field appraisers. You readily realize that an inadequate report fails to overcome the doubts of critics.

All Bureau appraisers will, in analyzing sales data, use the percentage adjustment method as demonstrated on pages 27 to 29 of the handbook supplement to Departmental Manual, part 602, entitled "Appraisal of Real Estate." This method will be applied to the most comparable bona fide sales and each percentage adjustment used will be adequately documented to show how that particular figure was arrived at.

The exercise of good judgment is the key to sound appraisals. This ability, coupled with technical competence to submit sound logical and reasonable conclusions by the above method, will enable administrators and reviewers to assume responsibility for appraisals with confidence.

H. R. HOCHMUTH, *Acting.*

**EXHIBIT D.—CORRESPONDENCE ELICITING REPORT ON
IMPROVEMENTS IN LAND APPRAISAL PROCEDURES**

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C., January 8, 1962.

Hon. STEWART L. UDALL,
*Secretary of the Interior,
Department of the Interior, Washington, D.C.*

DEAR SECRETARY UDALL: As you know, investigations and hearings by the Special Subcommittee on Assigned Power and Land Problems resulted in the adoption of a Bureau of Land Management antiland speculation policy by the previous administration of the Interior Department. In addition, soon after you took office and a new Director of the Bureau of Land Management was appointed, you announced an 18-month moratorium on most nonmineral applications to help clear up the backlog of some 60,000 applications and petitions for public lands.

A number of the problems involved in the Bureau of Land Management land appraisal practices were set forth in an interim report adopted by the House Committee on Government Operations (H. Rept. 1980, 86th Cong.). Others were discussed in an October 31, 1961, review of some of the Bureau's practices by the General Accounting Office. The Department's comments on the GAO report were set forth in a letter of December 19, 1961, to Congressman William L. Dawson, chairman of the Government Operations Committee.

The Department's letter of comment, signed by Administrative Assistant Secretary D. Otis Beasley, states that the GAO report "was prepared over a period of about 3 years during which the necessary action to correct deficiencies, insofar as possible within available resources, was taken as they were brought to our attention." Much of the corrective action was initiated only after you took office and after the subcommittee disclosed deficiencies in Bureau of Land Management appraisal practices. It will be helpful to clarify the status of some of the past corrective action and of some activities now underway.

The subcommittee will appreciate a comprehensive report on the results of the Department's antiland speculation policy issued in February 1960. Also, please provide a report on the results of the moratorium which you ordered and an estimate of the current backlog of cases. In addition, the subcommittee would appreciate comprehensive answers to the following specific questions:

1. Mr. Beasley's letter states that certain phases of a study of homestead and oil and gas application fees are completed and the balance of the study is underway. Please explain exactly what phases of the study have been completed and estimate when the entire study will be finished. Please provide a copy for the subcommittee when the study is finished.

2. In answering the GAO's comments on the backlog of unclosed land application cases, Mr. Beasley's letter states that a "system for controlling and coordinating the case flow has been instituted." Please explain this system and set forth any increase in staffing which has occurred.

3. Mr. Beasley's letter states that improvements in appraisal methods have been made during recent months. Please specify these improvements and provide copies of instructions issued to field personnel on the analysis of evidence of value estimates and on the mechanics of appraisal review.

4. The GAO report states that a "land appraisal training program" has been initiated by the Department. Please provide details of the training program including its content, where and by whom the training will be carried out, whether it is compulsory for Bureau appraisers to attend the training program, and all other pertinent details.

Sincerely,

JOHN E. MOSS,
*Chairman, Special Subcommittee on
Assigned Power and Land Problems.*

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., March 14, 1962.

HON. JOHN E. MOSS,
*Chairman, Special Subcommittee on Assigned Power and Land Problems,
Committee on Government Operations, House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: In your letter of January 8, you have requested additional information concerning certain appraisal and land disposition problems of the Bureau of Land Management.

Figures presently available do not permit a comprehensive analysis of the former administration's antispeculation policies announced in February of 1960. However, a few of the effects have been measured and some general observations can be made.

We know, for example, that the antispeculation policies brought about an immediate and sharp decline in the Bureau's land exchange programs. Acreage patented through exchange declined from over 411,000 acres in fiscal year 1959 to some 164,000 in 1960, to 42,000 acres in fiscal year 1961. This is attributed largely to that portion of the antispeculation policy which required an applicant to furnish two appraisals by qualified appraisers. In many cases, the costs of the appraisal when added to the other costs involved and subtracted from the benefits to be derived resulted in a less attractive proposal to the applicant.

The antispeculation policies also precluded acquisition under the Small Tract Act of more than one parcel of land by an individual. No figures on the effects of this prohibition are available, but they are considered minor because regulations always required a special showing to support such a request.

Some problems in interpretation of the policy were also encountered. For example, the bar to sale of land "within the influence of expanding cities or towns where the land uses are changing to more intensive

uses" was interpreted to mean no sales in the vicinity of any growing community. On the positive side, the policies did provide added emphasis to the necessity for quality appraisal work.

Secretary Udall's public land conservation policy announcement of February 14, 1961, broadened and superseded the antispeculation policies issued by the previous administration. A copy of the Secretary's announcement is enclosed. When the 18-month moratorium on most types of nonmineral applications was declared, nearly 60,000 filings were awaiting action in the land and field offices of the Bureau of Land Management. As of January 1, 1962, this backlog had been reduced over 46 percent to some 32,000 cases. By the end of the fiscal year, we expect that the number of applications on hand will be further reduced to what is considered a normal or "pipeline" operation—between 15,000 and 18,000 cases.

In addition to allowing the Bureau of Land Management to put its house in order so far as the processing of applications, the moratorium has given the resource technicians a chance to devote more of their energies to constructive programs. For example, the Bureau has undertaken the first comprehensive inventory and evaluation of the public lands, the initial phase of which is scheduled for completion in fiscal year 1963.

Too, the moratorium has allowed the Bureau to classify and open needed lands on its own motion. Regularly scheduled public auction sales of small tracts have been set up in many States, with California a prime example. In that State, some 3,500 tracts are presently available at regularly scheduled auctions. Thus, rather than "freezing" lands, the moratorium has allowed the Bureau of Land Management to meet a good share of the public demand through planned efforts.

The study of homestead and oil and gas application fees has been completed. No formal report was prepared as culmination took the form of a proposed revision of the different parts of title 43 of the Code of Federal Regulations relating to fees and charges. These regulations are pending as proposed rulemaking. The revision would establish reasonable filing fees, service fees, charges, and commissions in lieu of those considered no longer reasonable under existing conditions and taking into consideration the costs involved. We would be pleased to furnish the committee with a copy of the new schedule of fees and charges when promulgated.

The uniform system for the maintenance and control of case records, about which you requested information, has been developed and prescribed for mandatory use in each land office of the Bureau. A position of records control clerk has been established to operate the system in each office. This is the only increase in staffing that has occurred as a result of this system. The system provides for the orderly receipt, processing, and closing of cases by type of case, assuring that each application, offer, or entry receives prompt attention and action in order of its receipt or other priority.

The system also provides controls which indicate the location and processing step of each case record on which action is pending, which maintain a reasonably even flow of pending cases through the adjudicatory processes, and which permit the transfer of concluded cases to a records depository. Instructions require the periodic inspection of the system to assure its adequate operation.

The extent of improvement by the Bureau of Land Management in the documentation of appraisals is a matter of degree. This improvement has been large since 1959 and the Bureau is continuing its efforts toward improvement. In 1959, appraisals were little more than statements such as "Based on similar sales in the vicinity and other evidences of value, the land is appraised at \$-----." At the present time, none of the appraisers would consider submitting a report which did not cover all of the parts that an appraisal is expected to contain such as purpose of the appraisal, rights being appraised, area, neighborhood and property analyses, approaches to value, correlation and final estimate of value. The improvement emphasis is now being placed on the proper presentations within these categories—a fleshing out of the skeleton, as it were, in a manner that will create a properly "shaped" appraisal report. Correlation between the sales of similar lands and the land being appraised is probably the hardest part of any appraisal and is the part that the Bureau is trying to develop most in its appraisers at the present time.

The improvement of Bureau appraisals is being carried out by reviewing all appraisals at the State level, with some audit at the Washington office, training of all appraisers both formally and informally, inspecting and auditing appraisal functions, and issuing instructions from time to time as the need arises. Enclosed are copies of instructions which have been issued to field personnel of the Bureau since December 1959.

The memorandum of March 10, 1960, set up the present system of having a reviewing appraiser in each State office, one of whose functions is to review each appraisal for its technical adequacy. As the area offices have been eliminated through Bureau reorganization, the area reviewing appraiser position no longer applies.

The memorandum of June 17, 1960, provides for an appraisal training program within the Bureau ranging from within-service training of new employees to the sending of key appraisers to outside facilities.

The memorandum of August 19, 1960, was a clarification of the memorandum of March 10, 1960, which called for a review of all appraisals by the area reviewing appraisers in those States not yet having a State reviewing appraiser. At the present time, all States have a person who has been designated as a State reviewing appraiser or is acting in that capacity.

Two memorandums were prepared on August 26, 1960. One dealt with the problem of making comparisons between lands being appraised and sales used to indicate value. The other memorandum set forth the steps to be taken to insure that action by the Bureau was not taken on the basis of appraisals which were outdated.

The memorandum of August 30, 1960, transmitted a "Lands Review Statement" which discussed previous actions taken by the Bureau of Land Management to improve the appraisal functions and to warn against "swinging the pendulum" too far toward appraising lands at a figure which was greater than their fair market value in light of past criticism for appraisals made at less than the fair market value.

The memorandum of October 10, 1960, further clarified the memorandum of March 10, 1960, by pointing out that all appraisals of rights-of-way and special land use permits will be reviewed by the State reviewing appraisers.

The memorandum of November 9, 1960, transmitted a reprint of an article which appeared in the publication the Appraisal Journal. The article pointed out common inadequacies found in appraisals which had been reviewed by the author. Those inadequacies which were often found in Bureau appraisals were pointed out in the memorandum.

The memorandum of November 21, 1961, distributed copies of the departmental handbook, "Appraisal of Real Property."

The memorandum of December 26, 1961, calls for the use of a particular method in comparing a tract being appraised with sales of similar lands.

The memorandum of June 17, 1960, a copy of which is among the copies of instructions enclosed, sets forth a Bureau appraisal training program. With some changes, this program is being adhered to. Items 4, 7, and 8 of the appraisal training outline no longer apply as the Bureau instructions have been changed to eliminate the area offices.

The Bureau has gone considerably beyond the scope of item 5 in that 110 out of approximately 150 employees who make or review appraisals full time or part time in conjunction with other work in the Bureau have attended appraisal schools in the last 2 years. Of these 110 employees 77 attended one course, 25 attended two courses, 6 attended three, and 2 attended four. These schools were conducted by the American Institute of Real Estate Appraisers, American Society of Farm Managers and Rural Appraisers, and the Society of Residential Appraisers. Of the remaining 40 employees, a few had attended outside appraisal schools prior to 1960 and others were ineligible to attend, having had less than 1 year's Government service. It is planned that the remaining eligible employees will be sent to outside appraisal schools during 1962.

The President's budget request for fiscal year 1963 calls for a proposed increase of \$50,000 to upgrade the professional competency of the Bureau of Land Management's appraisal staff. This will include training new employees as set forth in the appraisal training program as modified.

In addition, the Bureau has emphasized the importance of the appraisal function by setting up a Division of Appraisals. This Division is responsible for all aspects of land and mineral appraisals within the Bureau including inspection, review, instructional materials, and training. Appraisals are no longer made by anyone attached to the land classification function of the Bureau. Rather, such work is assigned to those technicians who have had the training and experience to make appraisals which meet the Bureau's appraisal standards.

Sincerely yours,

JOHN A. CARVER, Jr.,
Assistant Secretary of the Interior.

EXHIBIT E.—FIELD REPORT ON NEW RUTH, NEV., LAND
EXCHANGE

U.S. DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

MAY 24, 1956.

REPORT

Land district and serial No.: Nev. 043931.

Name: Kennecott Copper Corp.

Subject: Private Exchange.

Date: May 3, 1956.

Date of examination: 4-(23-27)-56.

Field examiner: Charles E. Hancock.

Approved: A. L. Simpson, Lands and Minerals Officer.

Lands involved:

OFFERED LAND

T. 19 N., R. 63 E., M.D.M.

Sec. 2, S $\frac{1}{2}$ SW $\frac{1}{4}$

Sec. 3, Lots 1, 2, 3, 4, SW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ S $\frac{1}{2}$

Sec. 4, SE $\frac{1}{4}$

Sec. 10, N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$

Sec. 11, N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$

Sec. 15, NE $\frac{1}{4}$ NE $\frac{1}{4}$

T. 20 N., R. 63 E., M.D.M.

Sec. 26, S $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$

Sec. 34, SE $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$

Sec. 35, N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$

Total acres: 1,680.99.

SELECTED LAND

T. 16 N., R. 62 E., M.D.M.

Sec. 3, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

Sec. 4, SE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$

T. 18 N., R. 64 E., M.D.M.

Sec. 7, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$

Sec. 8, S $\frac{1}{2}$ SW $\frac{1}{4}$

T. 19 N., R. 63 E., M.D.M.

Sec. 10, SW $\frac{1}{4}$

Sec. 15, N $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$

Total acres: 1,090.66.

Identity

The identity of the above-described land was established with reference to finding on the land at the time of examination sufficient private survey hubs to positively identify the land involved. While examining the offered and selected land in T. 18 N., R. 64 E. and T. 19 and 20 N., R. 63 E., M.D.M., the undersigned was accompanied by Mr. W. Miller, engineer for Kennecott Copper Corp. During the examination of the selected land in T. 16 N., R. 62 E., M.D.M., the undersigned was accompanied by Mr. R. McGuire, also an engineer for Kennecott.

Purpose of exchange

Kennecott Copper Corp. is one of the largest producers of copper in the world. The Nevada Mines Division of Kennecott is a very small part of the parent organization. Kennecott Copper Corp. has recently decided to get out of the housing business. The sale of company-owned homes has already been consummated in New Mexico and soon will be in operation in McGill, Nev. (exhibit G).

The disposal of company-owned homes in the Ely area will be handled by John W. Galbreath & Co., an agent for Kennecott. The idea of selling employees their own homes is a labor relation wise move. It is felt by Kennecott that if employees own their own homes they will be much more content with their jobs, thus reducing the high percentage of turnover in employees.

The present townsite of New Ruth is located on public domain in T. 16 N., R. 62 E. Kennecott presently lays claim to this land by having it located under the mining laws. The acquisition of this land under the exchange laws would enable Kennecott to dispose of company-owned homes now occupying this land to their employees.

Kennecott wishes to acquire the selected land in secs. 7 and 8, T. 18 N., R. 64 E., M.D.M., inasmuch as they have a transmission line transecting this land, as well as a small portion of this land fenced and under cultivation. The purpose of acquiring the selected land in T. 19 N., R. 63 E., M.D.M., is to consolidate Kennecott land-holdings in this area.

OFFERED LAND

Location and accessibility

The offered land is located approximately 14 miles northwest of McGill, Nev., in White Pine County. This land is west of U.S. Highway 50 approximately 4 miles and access can be gained by an improved gravel road and unimproved dirt roads.

Land status

The records in the White Pine County Courthouse in Ely, Nev., show the offered land to be assessed to Kennecott Copper Corp. No mineral claims or workings were found on the offered land nor did the land appear to be mineral in character.

Exhibit A shows the status of the surrounding land. All of the offered land is within the boundaries of Nevada Grazing District 4.

Description of the land

The offered land lies in the middle portion of Steptoe Valley at approximately 6,000 feet elevation. The topography is generally flat with very little fall to the land.

Duck Creek, as shown in exhibit B, passes through portions of the offered land. Duck Creek is an effluent stream as it meanders through this area, and creates a meadow and slough condition on part of the offered land.

Duck Creek is not too dependable a source of water inasmuch as Kennecott Copper Corp., has the first appropriation of this water which is used in their mill and smelter operation at McGill, Nev. After mill and smelter usage, this water eventually finds its way to the tailing ponds just west of McGill. This water then percolates into the ground water table which is relatively high in this part of Steptoe Valley. Because of this high water table there has developed a slough area just north of the tailing ponds. Because of the shortage of surface water in Duck Creek in recent years, Kennecott has found it necessary from time to time to pump water from the slough area in sec. 24, T. 18 N., R. 63 E., M.D.M., to satisfy their needs at McGill. During those seasons of the year when there is sufficient surface water in Duck Creek, a considerable amount of water drains north via the Duck Creek channel through the offered land.

The vegetation consists of native meadow grasses, salt grass, sedges, alkali sacton, big rabbit brush, little rabbit brush, greasewood, and annual weeds and flowers. The density of vegetation varies from 100 percent in the meadow area to less than 20 percent in the rabbit brush-greasewood areas (see photos 1-5, 6, and 7). The carrying capacity of this land varies from $\frac{1}{2}$ acre per A.U.M. on the meadowland to approximately 30 acres per A.U.M. on the greasewood-rabbit brush associated areas. The total A.U.M.'s for the offered land is approximately 747.

This land is not occupied and the only improvement found on the land is a fence that forms the east boundary of the offered land. The position of this fence in respect to the offered land is shown in exhibit B. There is no timber on this land.

The acquisition of this land by the Federal Government would enable Nevada Grazing District 4 to block up landownership for improved management in this area. The offered land is presently within the boundaries of the grazing permit of P. W. Baker. Mr. Baker has leased this land from Kennecott Copper Corp. for many years and has utilized it in his livestock operation.

Mr. Jesse Kirk, range manager of Grazing District 4, feels that with the consolidation of the ownership of land in this area he will be able to have Mr. Baker move the existing fence on the offered land east to the west side of the Nevada Northern Railroad track to form an individual allotment for Mr. Baker (see attached memorandum).

In addition to better range administration, the offered land in T. 20 N., R. 63 E., M.D.M., potentially could be developed into a waterfowl area. There is very little fall to Duck Creek through this area and, with very little cost, water could be made to back up for several miles by constructing a detention dam across Duck Creek (photo 1-10). A dam of this nature would create nesting and feeding grounds for the ducks which are already numerous in this area. This land is presently leased to the McGill Gun Club for this purpose, but to date there has been no improvement made to facilitate the waterfowl potential in this area.

In addition to possible waterfowl development, this land could possibly be reseeded to tall wheatgrass inasmuch as favorable conditions do exist for this purpose.

SELECTED LAND

Location and accessibility

T. 16 N., R. 62 E., M.D.M.

Sec. 3, $S\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}SW\frac{1}{4}$, $SW\frac{1}{4}SW\frac{1}{4}$, $NW\frac{1}{4}SE\frac{1}{4}$

Sec. 4, $SE\frac{1}{4}$, $SE\frac{1}{4}NE\frac{1}{4}$

The above-described land embraces the townsite of New Ruth, Nev. New Ruth is located approximately 8 miles west of Ely in White Pine County, Nev. A paved road leaving U.S. Highway 50 at the Keystone Junction gives access to this land.

T. 18 N., R. 64 E., M.D.M.

Sec. 7, $W\frac{1}{2}SE\frac{1}{4}$, $SE\frac{1}{4}SE\frac{1}{4}$

Sec. 8, $S\frac{1}{2}SW\frac{1}{4}$

The above-described land is located approximately 3.5 miles northwest of McGill, Nev., in White Pine County. An improved gravel road leaving U.S. Highway 50 one mile north of McGill gives access to this land.

T. 19 N., R. 63 E., M.D.M.

Sec. 10, $SW\frac{1}{4}$

Sec. 15, $N\frac{1}{2}NW\frac{1}{4}$, $SE\frac{1}{4}NW\frac{1}{4}$, $SW\frac{1}{4}$

The above-described land is located approximately 13 miles northwest of McGill, Nev., in White Pine County. This land is west of U.S. Highway 50 approximately 4 miles and access can be gained by an improved gravel road and unimproved dirt roads.

Land status

T. 16 N., R. 62 E., M.D.M.

Sec. 3, $S\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}SW\frac{1}{4}$, $SW\frac{1}{4}SW\frac{1}{4}$, $NW\frac{1}{4}SE\frac{1}{4}$

Sec. 4, $SE\frac{1}{4}$, $SE\frac{1}{4}NE\frac{1}{4}$

The land office records show this land to be vacant public domain with the exception of portions of five patented mining claims which are as follows:

Burning Moscow—Mineral Survey No. 3239

Eskimo—Mineral Survey No. 3653

Daly—Mineral Survey No. 3652

Fourth Chance—Mineral Survey No. 3241

First Chance—Mineral Survey No. 3241

The locations of these patented mining claims in respect to the legal subdivisions which have been selected are shown in exhibit C.

Rights-of-way of the Nevada Northern Railroad C-043239 exist in the $NW\frac{1}{4}SE\frac{1}{4}$, $NE\frac{1}{4}SW\frac{1}{4}$, sec. 3. The Nevada State Highway Department CC-020925 has a right-of-way in the $NW\frac{1}{4}SE\frac{1}{4}$ and the $NE\frac{1}{4}SW\frac{1}{4}$, sec. 3. There are no withdrawals on this land.

This land was found to be completely covered by mining claims. The majority of these claims were located by Kennecott Copper Corp. in 1951. Some older locations do exist on this land; however, they have all been acquired by Kennecott. Exhibit D shows the jungle of claims that exists on this land.

The townsite of New Ruth occupies the greater portion of this land. Exhibit C shows the townsite of New Ruth in respect to the selected land in sections 3 and 4. Exhibit E shows the location of the numerous improvements that presently exist on the townsite of New Ruth. These improvements were placed on this land commencing in 1952 up to the present time. Photos 1-13 and 1-14 show New Ruth as it was at the time of examination.

T. 18 N., R. 64 E., M.D.M.

Sec. 7, $W\frac{1}{2}SE\frac{1}{4}$, $SE\frac{1}{4}SE\frac{1}{4}$

Sec. 8, $S\frac{1}{2}SW\frac{1}{4}$

The land office records show this land to be vacant public domain excepting the $S\frac{1}{2}SE\frac{1}{4}$, sec. 7, which was conveyed to the United States under sec. 8, as amended by the California Pacific Realty Co. by deed dated October 10, 1940, and has not been opened for filing under the general land laws. There are no withdrawals or rights-of-way on this land.

No mining claims were found on this land nor does it appear to be mineral in character.

A powerline originating in McGill transects this land. This powerline was constructed in 1952 by Kennecott Copper Corp. (see photo 1-8). The land office records do not show an application for a transmission line right-of-way through this land. This line appears to be in trespass to the extent of 4,980 feet. Exhibit F shows this powerline in respect to its location on the selected land.

Thirteen acres of land in the $SE\frac{1}{4}SE\frac{1}{4}$, sec. 7 was found to be fenced and under alfalfa production (photo 1-9). This 13-acre patch is part of a large alfalfa field located just south of the selected land. This field is owned by Kennecott Copper Corp. The cultivation of these 13 acres constitutes an agriculture trespass which originated back to October 10, 1940, at which time this land was conveyed to the United States by the California Pacific Realty Co. through a section 8 exchange. Exhibit F shows the location of this field. The selected land adjoins land owned by Kennecott Copper Corp. on the west and south. The north and east boundaries adjoin public domain.

T. 19 N., R. 63 E., M.D.M.

Sec. 10, $SW\frac{1}{4}$

Sec. 15, $N\frac{1}{2}NW\frac{1}{4}$, $SE\frac{1}{4}NW\frac{1}{4}$, $SW\frac{1}{4}$

The land office records show this land to be vacant public domain with no conflicts, rights-of-way, or withdrawals. No mining claims were found on this land nor was the land occupied. Exhibit A shows the status of the adjoining land.

All of the selected land in this exchange application is within the boundaries of Nevada Grazing District 4.

Description of the land

T. 16 N., R. 62 E., M.D.M.

Sec. 3, $S\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}SW\frac{1}{4}$, $SW\frac{1}{4}SW\frac{1}{4}$, $NW\frac{1}{4}SE\frac{1}{4}$

Sec. 4, $SE\frac{1}{4}$, $SE\frac{1}{4}NE\frac{1}{4}$

This land lies at approximately 6,800 feet elevation in semirolling mountainous terrain. Vegetation consists of juniper trees, little rabbit brush, black sage, and a sparse scattering of grass, weeds, and flowers. The density of the vegetation is about 25 percent and the carrying capacity is estimated to be about 30 acres per A.U.M. There is no originating source of water on this land and the sparse scattering of juniper trees does not have any timber value. This land, as previously discussed under "Land Status," is occupied by the inhabitants of the townsite of New Ruth. All types of improvements which are normally associated with a townsite are found on this land.

T. 18 N., R. 64 E., M.D.M.

Sec. 7, $W\frac{1}{2}SE\frac{1}{4}$, $SE\frac{1}{4}SE\frac{1}{4}$

Sec. 8, $S\frac{1}{2}SW\frac{1}{4}$

This land lies in Steptoe Valley at approximately 6,000 feet elevation. The topography is level. Vegetation consists of greasewood, rabbit brush, sage, Russian thistle, and willows. This vegetation has a density of about 30 percent. The carrying capacity is low and estimated to be 30 acres per A.U.M. No source of water originates on this land. A transmission line transects this land. There is also a 13-acre alfalfa field in the SE $\frac{1}{4}$ SE $\frac{1}{4}$, sec. 7. Both of these subjects have been discussed previously under land status of selected land.

T. 19 N., R. 63 E., M.D.M.

Sec. 10, SW $\frac{1}{4}$

Sec. 15, N $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$

This land lies in Steptoe Valley at approximately 6,000 feet elevation. The topography is level with very little fall to the land. Vegetation consists of meadow grass, greasewood, salt grass, and alkali sacaton. The portion of this land that is meadow has a very high carrying capacity. The meadow area has a rating of about $\frac{1}{2}$ acre per A.U.M. (see photos 1-3 and 1-4). The density of this land varies from 100 percent in the meadow area to about 25 percent in the greasewood-rabbit brush area. The total A.U.M.'s of this land is estimated to be 704.

This meadow area receives water from Duck Creek via the old Adams McGill Ditch which transects this land. This ditch does not always have water in it, depending on what amount of water Kennecott is using in their mill and smelter operation at McGill. It is said that, at various times over the past 20 years, different ranchers in this area have gone into this meadow and cut wild hay during periods of time that the land was dry enough to operate equipment. No trespass recommendation is being contemplated because of the difficulty in following through on this type of an investigation.

No mining claims were found on this land nor was any timber. A fence approximately 3,036 feet in length transects this selected land in section 15. No other improvements were found on this line nor was this land found to be occupied. Exhibit B shows the location of the fence in respect to the land involved.

Appraisal

There is no record of recent sales of land similar to the offered and selected land, except the purchase of four mining claims by Kennecott Copper Corp. for \$9,000 in the New Ruth townsite. It is felt by the undersigned that this price does not reflect a realistic value of the land involved, but was a nuisance value paid in order that Kennecott would have this area completely covered by mining claims.

In checking the records in the assessor's office in White Pine County Courthouse, it was impossible to determine the tax assessments of the offered land. The White Pine County assessor's records do not show the land classification for assessment purposes on any one particular legal subdivision, but show the aggregate of the total amount of acres being assessed to any one individual in the county. This makes it impossible to determine what the assessor is assessing any one piece of property.

The basis for appraising this land was established by determining the total amount of A.U.M.'s for both the offered and selected land.

It was determined by field examination and by use of range survey quads covering this area that the offered land contained approximately 747 A.U.M.'s and the selected land approximately 704 A.U.M.'s. At the present time in Nevada an animal unit month is considered to be worth \$5. This would establish an A.U.M. value of \$3,737 for the offered and an A.U.M. value of \$3,521 on the selected land.

There are approximately 4 miles of barbed wire fence on the offered land in T's 19 and 20 N., R. 63 E. This fence is in relatively good shape and would be considered to be worth \$150 per mile. The 13 acres that have been farmed in the S $\frac{1}{2}$ SE $\frac{1}{4}$, sec. 7, T. 18 N., R. 64 E. is not considered to be of great value inasmuch as this 13 acres is solely dependent upon its water supply from Kennecott Copper Corp. The overall nature of the selected land in section 7 is such that independently it would not be feasible to develop it for agricultural purposes, and the only way this land could be utilized for the purpose for which it is presently being done is in conjunction with the adjoining land presently being cultivated by Kennecott Copper.

The utility of the offered land in T's 19 and 20 N., R. 63 E. for waterfowl and fishing purposes is a factor that cannot be expressed in terms of dollars and cents. However, this utility definitely adds a tremendous value to the offered land and should be kept in mind when considering the benefits to be gained by the public upon consummation of this exchange.

With what information is available and considering all the known factors at hand, I appraise the offered land at \$4,335. I appraise the selected land at \$3,520.

Conclusions and recommendations

The primary purpose of this exchange is to enable Kennecott Copper Corp. to acquire public land on which the townsite of New Ruth has been located. The development of New Ruth became a necessity in 1951 when it was decided that it would be necessary to extend the present open pit mine to include the land which the town of Ruth occupies. In this same year Kennecott completely located, under the mining law, that portion of land in secs. 3 and 4, T. 16 N., R. 62 E. that is part of this exchange application.

In some instances Kennecott located claims over land already under claim and it was necessary for them to purchase other claims. In one instance they paid \$9,000 for title to four claims on this land. This purchase is recorded in book 164, page 135 at the White Pine County Courthouse in Ely, Nev.

There are a few patented mining claims on this land. The land office records show these claims to have been patented in the early 1900's. The area south of this land is known to have a vast deposit of low-grade copper and undoubtedly some traces of this deposit could be found on the land under application. However, it is the opinion of this examiner that the area on which the townsite of New Ruth has been established is not mineral in character to an extent that would justify expenditure for the purpose of extracting the minerals. Pos-

sibly the development of these claims into a townsite constitutes an occupancy trespass on the part of Kennecott Copper Corp. However, they have agreed upon the land office's request to assign all mining claims covering this area to the United States, and inasmuch as there is no other conflict on this land there would be no reason to test the mineral character of this land.

It will be necessary to take trespass action against Kennecott Copper Corp. for farming 13 acres of public domain in the S $\frac{1}{2}$ SE $\frac{1}{4}$, sec. 7, T. 18 N., R. 64 E. This agricultural trespass dates back to October 10, 1940, at which time this land was conveyed to the United States under section 8 of the Taylor Grazing Act, 1934. An equitable charge should be computed for a period of 16 years. This charge should be made on the basis of a share of crop production and profits derived therefrom.

A transmission line trespass charge also will have to be brought against Kennecott Copper Corp. inasmuch as approximately 1 mile of transmission line transects the selected land in sections 7 and 8, T. 18 N., R. 64 E. The land office records do not show Kennecott as having filed for transmission right-of-way through the land. This transmission line was constructed in 1952.

The consummation of this exchange will benefit the United States inasmuch as there will be a consolidation of landownership in T's 19 and 20 N., R. 63 E. which will enable Nevada Grazing District 4 to improve management and operation in this area. The potential use of the offered land for waterfowl development is also of public interest. Potentially it could provide an excellent recreational area for citizens of White Pine County.

The acquisition by Kennecott Copper Corp. of public land in T. 16 N., R. 62 E. on which the townsite of New Ruth has been constructed is also of public interest. This will enable the present occupants to purchase their homes which they are presently renting from Kennecott. In the event the occupants do not want to purchase their homes, the homes will become available for purchase by the general public.

The appraised value of the offered land is \$4,335 and the appraised value of the selected land is \$3,520. The value of the offered land exceeds the value of the selected land by \$815.

It is recommended that this exchange application of the Kennecott Copper Corp. be allowed inasmuch as the Government will derive numerous benefits from this exchange, and the offered land exceeds the value of the selected land.

Prior to the allowance of this exchange application, it will be necessary to open for filing under the general land laws the S $\frac{1}{2}$ SE $\frac{1}{4}$, sec. 7, T. 18 N., R. 64 E. This land was conveyed to the United States under section 8 of act of June 28, 1934 as amended by act of June 26, 1936. It is recommended that this land be restored in accordance with "Volume 5 Lands, Part 4, Chapter 4.21.8b, Special Disposals."

It is recommended that an agricultural trespass charge amounting to \$3,120 be levied against Kennecott Copper Corp. This trespass was computed as follows:

$$\begin{array}{r}
 13 \text{ acres} \\
 \times 3 \text{ tons alfalfa per acre} \\
 \hline
 39 \text{ tons per year} \\
 \times 16 \text{ number of years in trespass} \\
 \hline
 624 \text{ total tons produced for 16 years} \\
 \times \$20 \text{ average price alfalfa for past 16 years} \\
 \hline
 \$12,480 \text{ total price received on production} \\
 \div 4 \text{ fair rental for crop production} \\
 \hline
 \$3,120 \text{ amount due for trespass}
 \end{array}$$

It is further recommended that a trespass charge of \$25 be levied against Kennecott Copper Corp. for approximately 1 mile of transmission line that transects the selected land in secs. 7 and 8, T. 18 N., R. 64 E. This line has been constructed and used for the past 5 years.

It is further recommended that prior to the allowance of this exchange Kennecott Copper Corp. provide the United States with a quitclaim deed of all mining claims that exist on the selected land in secs. 3 and 4, T. 16 N., R. 62 E., M.D.M.

It is further recommended that as the offered land is acquired by the United States, prior to its being opened for entry under the general land laws, consideration be given for the development of this land for recreational purposes by an appropriate organization.

Respectfully submitted,

CHARLES E. HANCOCK,
Agricultural Economist.

All public lands described are hereby classified for disposition in accordance with the recommendations of this report.

A. L. SIMPSON,
Lands and Minerals Officer.

MAY 11, 1956.

To: Charles E. Hancock, Agricultural Engineer.

From: Range Manager, Nevada-4.

Subject: Kennecott Copper Corporation Exchange Application.

I have no objection to the classification of the lands involved in this exchange for disposal under section 8 of the Taylor Grazing Act, as amended.

The acquisition of the offered lands will block up landownership for improved management and operation in this area.

It is hoped that upon the consummation of this exchange, an individual allotment can be established for the present permittees.

JESSE L. KIRK.

MINORITY VIEWS

The majority claims that it was conclusively established at the 1960 hearings that

the Department of the Interior had grossly undervalued public lands involved in three private exchange transactions in the State of Arizona. This is not supported by the facts or even by the hearings staged in Phoenix,¹

according to the sole minority member who participated. His view was:

The majority's presentation at Phoenix consisted mainly of—

(1) What seemed a carefully rehearsed recital of data on private and State land sales in Arizona by George Bartlett. Mr. Bartlett was assigned by the General Accounting Office to assist the subcommittee. Testifying to sales in question, he produced figures apparently meant to carry the authority of an accountant's reckoning. However, as data for an appraisal analysis they are subject to serious question.

(2) Testimony from seven real estate brokers, developers, or investors in the Phoenix area who delivered unsupported opinions which the chairman gravely entered into the record. Their competency as land appraisers was not shown.²

From a review of the hearings, it is clear that witnesses used geographic locations as a basis of relative values for the offered and selected land. The testimony critical of the appraisals in the three cases covered in the hearings was based mostly on estimates. Improvements on lands used for comparable sale values were not taken into account nor was consideration given to water developments, grazing privileges, and other factors. There was no concrete evidence of loss to the Government. Few of the witnesses, if any, offered information on the land obtained by the United States in Mohave County, where most of the lands obtained were in sections adjoining land already owned by the Federal Government.

No losses or gains can be substantiated until both the offered and selected lands are disposed of and the results tabulated. As a matter of fact, land in northern Arizona near Lake Mohave and Lake Mead, where the Government has acquired it in exchange, is now in great demand, selling in small parcels on interest-free amortized payments for as much as \$400 per acre.

During the period 1953-61, the Bureau of Land Management made substantial improvement in land appraisals as well as in other procedures. During that time, Mr. Harold Hochmuth was land staff officer, second only to the Director himself. For much of this time

¹ Additional views of Hon. Clare E. Hoffman, H. Rept. 1980, 86th Cong., p. 19.

² *Ibid.*

his chief land adviser was Karl S. Landstrom who assisted the Director and Mr. Hochmuch in recruiting, training, and supervising personnel in the lands program—including appraisals. Mr. Hochmuch's name and influence is much in evidence in all the hearings and reports. His fine work was recognized by this administration which appointed him Associate Director of the BLM and elevated Mr. Landstrom to the top post of Director. Certainly the administration would not place these men in such responsible positions if they had done the poor job the report seems to indicate.

There is no evidence that any improvements have been made in appraisals under the present administration other than the 18-month moratorium put in effect in February 1961, which curtailed or stopped practically all land activity in the BLM. Obviously, there would be no appraisal problems if there were no appraisals made.

GEORGE MEADER.
FLORENCE P. DWYER.
ODIN LANGEN.
JOHN B. ANDERSON.



